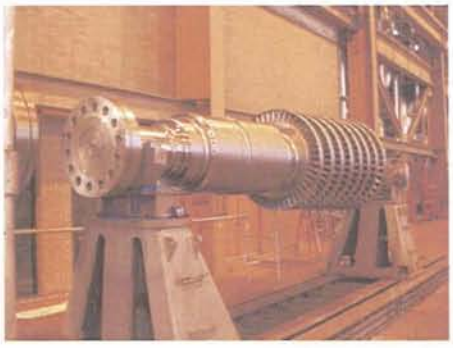
2002 — A New President and a Year of Increased Generating Capacity



IPSC

New President and Chief Operations Officer — George W. Cross was selected to replace S. Gale Chapman as the President and Chief Operations Officer of IPSC on January 31, 2002. Mr. Cross was serving as the Superintendent of Operations and Corporate Vice-President at the time of his new appointment. The process of selecting a successor for Mr. Chapman had been going on for about six months. When Mr. Chapman announced his retirement in mid-2001, the IPSC Board of Directors hired a recruitment firm to consider prospective candidates from across the country and to narrow the field down to a few finalists. They eventually presented five candidates to the IPSC Board of Directors for their final interview. Two candidates were from outside the IPSC organization and three candidates were current IPSC Department Heads. Following the IPSC Board of Directors' final interview, Mr. Cross was selected as the new President.

The appointment by the IPSC Board of Directors of Mr. Cross to the position of President and Chief Operations Officer required Mr. Cross to select a new Vice-President and a new Department Head for Operations. Mr. Dennis K. Killian was selected to serve as the new Corporate Vice-President and Mr. Joe D. Hamblin was selected to serve as the new Superintendent of Operations. The position Mr. Hamblin had served in, Converter Station Manager, was eliminated. The Converter Station was placed administratively under the Operations Department. This new organization change allowed Mr. Hamblin to continue to supervise the Converter Station.

Turbine Upgrade — The high-pressure section of the Unit 2 turbine was replaced in the spring outage with a newer and more efficient turbine. The

installation was the culmination of many months of work and planning. The manufacturer of the new turbine, Alstom Industries, has its sales office in Richmond, Virginia. The new turbine was fabricated in Rugby, England and then transported to Delta, Utah by ship and truck lines. During the regular biannual month-long Unit 2 outage, the new high-pressure turbine was installed. This was a very demanding project. Alstom had questioned the ability of installing the new high pressure turbine in such a short time frame. IPSC demonstrated its dedication to the job by accomplishing the installation on time. Normal outage repairs and upgrades to plant systems and equipment were also completed during the outage. Because of the expanded scope of the outage (replacing the turbine), many employees were required to work extra hours to accomplish all the planned work. The return to service of Unit 2, on time, was a major accomplishment, given the additional work of installing a new high-pressure turbine. As might be expected, some initial problems with getting the new turbine correctly balanced and running smoothly took a couple of days to resolve.

Title V Operating Permit —The original operating permit for the additional capacity gained by the new high-pressure turbine was approved by the state of Utah on January 19, 1998. That permit has been amended several times. The latest amended permit was approved on April 10, 2002, this allows IPSC to determine whether to operate at the same megawatts as before and use a reduced amount of fuel or to use the same amount of fuel and produce a greater amount of megawatts. Operating at the same amount of fuel allows IPSC to generate an additional 75 megawatts.

Construction of Helper Cooling Towers — Construction of additional cooling tower capacity started in late summer with Weyher Construction Company as the general contractor. The helper cooling towers will permit both units to run at an increased capacity.

Data for a Third Unit — The process of gathering technical data to support the approval for a third unit continues to be a major duty of IPSC. A decision to build Unit 3 is expected in 2003 or 2004.

Craft Specific Training — This is the first year that the quarterly report that tracks training records of employees has been expanded to include "Craft"

training courses. The results of the additional training and tracking capacity are used to monitor the progress of each employee toward their annual training and retraining requirements. The report is produced each quarter for the supervisors to see what has been done and what needs to be done.

Dry Water Year — The normal snow pack and water storage for the area of the Sevier River that serves the power plant is very low this year. This is the fourth year in a row of below normal snow/rain for the area. Water revenues from the water rental program have been good because the price of water has been higher than normal due to the normal demand and small supply of water.

IPSC Practice Evacuation — On October 29, 2002 a plant-wide evacuation drill was conducted. This was done to help prepare everyone in case of a real emergency.

Waste Water Holding Basin — This basin required cleaning and removal of sediments that have collected over time. Water from run off and other sources is routed by way of ditches to the basin and if necessary is pumped into the basin to retain the solids and other wastes. The water from this basin is used as recycled make-up water for the Scrubbers. If necessary, the water can be pumped to the evaporation ponds. The basin serves as part of the zero discharge program.

Medical and Dental Insurance Rates Increase — The renewal information from the medical and dental carriers show that we had a greater-than-expected usage of the plans, and with medical inflation, the cost of insurance for the year starting July 1, 2002 would require an additional 17 percent to cover the same expenses as last year.

Power Engineering Magazine Article — In the August 2002 edition, Power Engineering ran an article about the Intermountain Generating Station. A picture of George W. Cross, President of IPSC was featured with a story which describes the owners of the project, a description of the facility, and a list of some of the reasons why the project has been so successful. The story reported on the following areas: heat rate improvement, capacity factors, cross-training, hiring history, staff walk downs to focus on keeping the plant clean, and operators hauling limestone.

Power Magazine Article Ranking Various Power Plants — In the August 2002 edition, Power magazine ran an article that ranked coal-fired power plants rated 300 megawatts and above. The magazine has 298 coal-fired stations rated at 300 MW or above in its data base. In the article, the Intermountain Generating Station was ranked twenty-third in heat rate, fourth in capacity factor, and third in lowest SO_2 emissions.

Electric Light and Power Magazine — In the November 2002 edition, Electric Light and Power listed the project as the fifteenth most energy efficient coal-fired power plant, the eighth highest utilized plant, and the third cleanest plant ranked by SO_2 emissions.

Security Cameras Installed — Following the terrorist attacks in New York on September 11, 2001, some changes have been made to improve and upgrade the security at the plant site. One of the major changes was to mount cameras on the seventeenth floor of the units that permit a complete view of all approaches to the plant and a good view of the plant site. Cameras were also mounted to observe entrance and exit through the guard gate and at the DMAD Pumping Station. The security personnel are able to have a constant view of the goings-on in and around the plant. The monitoring screens are located at the main guard post and in the Plant Manager's office.

Scrubber Oxidation Air Project — With the increased volume of gas, due to higher production capacity, comes a need to force additional oxygen through the scrubbers to improve the efficiency and effectiveness of the scrubbers. This new step requires air to be injected into the main stream flow of gases passing through the scrubber. Plans have been put in place to make the necessary installation.

New Risk Manager — Pat Finlinson was chosen to replace Lowell Curtis who retired in October 2002.

October Record Month — IPSC produced 1,300,450 gross megawatt hours in the month of October which was an all-time-high record for production.

Start of Distributed Controls System (DCS) Replacement Project — Finding replacement parts for the Unit Information and Control Systems has become harder and harder. The manufacture of the equipment installed at IPSC was discontinued ten (10) years ago. The plan for the replacement of these systems is underway, with the evaluation of data base requirements and the writing of specifications for the Request for Proposals (RFP). This project will take several years to complete.

Rocks in the Coal — The supply of coal that has been used by the units in the past has been some of the very best and cleanest coal available. Some of the coal we are now receiving, still falls within the specifications of the coal contracts, but it is not as clean or rock free as the coal of

years past. The increase in the amount of rock means that more attention has to be paid to keeping the coal system running and the reject system running at its full potential to keep the rocks from getting into the pulverizers.

Number of Employees — By the end of the year, the number of employees was 489.

LADWP

New IPSC Board Director — As a result of the retirement of Mr. Michael J. Nosanov from the Los Angeles Department of Water and Power, Mr. Eric J. Tharp was appointed as the Operating Agent Representative.

IPA

Business of the Year 2002 Award — On November 13, Reed T. Searle and George W. Cross accepted the Delta Area Chamber of Commerce award to the Intermountain Power Agency for business of the year award. A leader in our community.

Financing — June 30, the current weighted average borrowing cost was 4.77 percent.